

AMENDED IN SENATE JUNE 21, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 459

Introduced by Assembly Member Ackerman

February 16, 1999

An act to amend Section 1561.1 of the Financial Code, relating to investments.

LEGISLATIVE COUNSEL'S DIGEST

AB 459, as amended, Ackerman. Trust companies: investments.

Existing law authorizes a trust company to invest or reinvest in the securities or other interests of any fund for which the trust company or its affiliate is providing specified investment or management services. The trust company is required to provide written notice to certain persons at least 30 days prior to an initial investment.

This bill instead requires that notice to be provided within 30 days ~~of before or after~~ the initial investment.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 1561.1 of the Financial Code is
- 2 amended to read:
- 3 1561.1. (a) As used in this section:

1 (1) “Fund” means any investment company
2 registered under the Investment Company Act of 1940
3 (15 U.S.C. Sec. 80a-1 et seq.), as amended from time to
4 time.

5 (2) “Trust” means any court trust or private trust.

6 (3) “Trust Law” means Division 9 (commencing with
7 Section 15000) of the Probate Code.

8 (b) Within the standards established by trust law,
9 including, but not limited to, Division 9 (commencing
10 with Section 15000) of the Probate Code, a trust company
11 acting in any capacity under a trust may, in the exercise
12 of its investment discretion unless the trust instrument
13 provides expressly to the contrary, invest and reinvest in
14 the securities of or other interests in any fund to which the
15 trust company or its affiliate is providing services
16 including, but not limited to services as an investment
17 adviser, sponsor, distributor, custodian, agent, registrar,
18 administrator, servicer, or manager, and for which the
19 trust company or its affiliate receives compensation.

20 (c) Within 30 days ~~of~~ *before or after* the initial
21 investment under the exercise of discretionary powers
22 authorized by subdivision (b), the trust company, acting
23 in any capacity under a trust, shall furnish written notice
24 of the exercise of the discretionary powers and a copy of
25 the prospectus relating to the securities to all persons to
26 whom the trust company is required to render statements
27 of account pursuant to applicable provisions of the Trust
28 Law or to whom the trust company regularly provides a
29 statement of account unless specifically waived in
30 writing.

31 (d) With respect to any trust so invested, the trust
32 company shall disclose to all persons identified in
33 subdivision (c), at least annually by prospectus,
34 statement of account, or other written notice, a brief
35 description of the fees or rates charged by the trust
36 company and its affiliates for its services as investment
37 adviser or investment manager to the fund.

38 (e) In connection with an investment or reinvestment
39 authorized by subdivision (b), the portion of
40 compensation a trust company receives from the trust



1 reasonably attributable to investment advisory or
2 investment management services to the trust shall be
3 reduced (but not below zero) by an amount equal to
4 compensation that is received by the trust company or its
5 affiliates for providing investment advisory or investment
6 management services to the fund for the portion of the
7 trust invested in the fund.

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